

## Net Worth Knowledge

	Total Points Earned
20	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** Match the word with its definition. (1 point each)

- |                      |   |
|----------------------|---|
| 1. _____ Net Worth   | a. What is owed to others   |
| 2. _____ Liabilities | b. The amount of money left when liabilities are subtracted from assets |
| 3. _____ Assets      | c. Everything a person owns with monetary value                         |

**Directions:** Help Mindy understand her Statement of Financial Position by answering her questions below. Make sure to provide an explanation to each answer to help Mindy learn more about the Statement of Financial Position. (2 points each)

- Mindy still owes \$25,000 on her home loan. However, she called her loan provider and they informed her that if she were to pay her home loan off today, she would pay \$18,500 because she wouldn't have to pay interest for the remainder of the loan. What amount should be recorded in the liabilities section of her Statement of Financial Position?
- Mindy signed a contract with her Internet provider and will be paying \$75 per month for her Internet service for a minimum of one year. Since she is required to pay this monthly payment for a year, should Mindy's monthly Internet service fee be recorded as a liability on her Statement of Financial Position?
- Mindy purchased a computer last year for \$800. However, after looking through the newspaper classifieds and an Internet selling site, she sees that similar computers are only selling for \$300. What amount should be recorded in the asset section of her Statement of Financial Position?

7. Mindy is grateful to have an employer-sponsored retirement account that is worth \$10,000. She knows this is an asset, but doesn't know if it should be recorded as a monetary, tangible, or investment asset. How should she record this asset?
  
8. After completing her Statement of Financial Position, Mindy finds that she has a net worth of \$40,000. She doesn't quite understand how she can have a net worth of \$40,000 if she earns \$50,000 per year at her job. Help Mindy understand the difference between net worth and income.

**Directions:** Answer the following questions using complete sentences.

9. What is the purpose of a Statement of Financial Position? (1 point)
  
10. Describe the difference between monetary assets and tangible assets. (2 points)
  
11. Why is the market value, instead of the purchase value, of assets listed on the Statement of Financial Position? (2 points)
  
12. Why is net worth compared to a financial thermometer? (1 point)
  
13. How can you increase net worth? (1 point)